

August 27, 2004

Mr. Ed Gillespie
Chairman
Republican National Committee
310 First Street SE
Washington, DC 20003

Dear Mr. Gillespie:

As the financial advisor to Numotech, Inc. during the past several years, M. R. Beal & Company has been assisting in the structuring, formation and financing activities of the manufacturing joint venture between Numotech and Spektr-Conversion in Snezhinsk, Russia. This transaction is a landmark event as the first successful sustainable US-Russian economic development collaborative to culminate from the U. S. government's nonproliferation initiatives undertaken over the past 10 years.

With the fall of the Soviet Union and the subsequent goal to shrink Russia's scientific workforce connected to its former military-industrial complex, the U. S. Government initially responded with formation of nuclear non-proliferation programs that were primarily intended to create jobs. In particular, Senator Peter V. Domenici (R-NM), as Chairman of the Senate Committee on Energy and Natural Resources and the ranking member of the Senate Appropriations Subcommittee on Energy and Water Development, consistently has been an instrumental advocate for the Initiatives for Proliferation Prevention Program (IPP) and other DOE nonproliferation programs.

These efforts, undertaken through the Department of Energy in conjunction with Sandia National Laboratories and its sister labs, harnessed the talents of former top nuclear scientists in Russia for peaceful commercial benefit by employing them to work on various ongoing one-off research and development projects on behalf of private business partners such as Numotech.

Clearly the creation of jobs was important, but not enough. Despite these laudable successes in creating a measure of economic stability for these scientists, the downside of one-off projects is that they are funded yearly, and do not provide the steady flow of revenue growth and profitability that is essential to maximizing employment and economic stability.

In the closed city of Snezhinsk, these projects have built an invaluable foundation of trust, cooperation and skill sets among key scientists, city officials, the DOE, and Sandia National Labs, and even resulted in the founding of an employee-owned company called Spektr-Conversion that has operated successfully for over 3 years. The Numotech/Spektr-Conversion joint venture will efficiently leverage the synergies built to date, by expanding the company beyond R&D projects into ISO 9000 manufacturing of medical devices and high tech components for the medical, aerospace and transportation industries in the U.S. and Europe. Already Numotech has been successful in getting Spektr-Conversion qualified as both an ISO 9000 and 13485 manufacturer, of which there are only a handful in all of Russia.

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Snezhinsk has a large number of highly educated, highly skilled scientists and other technical workers who, in the interest of world peace, must be preemptively shifted from their dependence on the Russian military supply chain, which is dramatically downsizing, and into sustainable private enterprise opportunities in the global economy. New job growth opportunities are very limited there for these residents, who have demonstrated great reluctance to move to more economically vibrant locales such as Moscow. These scientists can't just be relegated to menial, low-paying jobs such as cab drivers or cooks and then forgotten. Such shortsightedness would be a recipe for disaster, given that the financial temptation to work for rogue nuclear states or terrorist groups would constantly loom as an ominous cloud.

Total funding for the project is approximately \$30 million. The capital will be used for the construction and equipping of a 100,000 square foot state of the art manufacturing facility capable of employing upwards of 500 workers, as well as working capital for both the U.S. and Russia operations of Numotech and Spektr-Conversion.

The project embodies the business development model the U. S. seeks to advance: help scientists in formerly closed Russian cities create sustainable businesses, build personal wealth and in the process help stabilize and bolster Russia's nascent market economy. Successfully building the first jointly owned U.S.-Russian business in a formerly closed nuclear city has taken many months of groundwork, including the approvals from the highest levels of Russian government, including President Putin's office.

A successful joint venture and the various subsidiaries and support businesses that it spawns not only will help maximize employment and economic stability in Snezhinsk, but also will serve as a role model for economic stabilization of all other Russian nuclear cities. Instead of operating as an American-funded jobs program at taxpayers' expense, such ventures will be private enterprise and primarily funded by private investors, whose risk will be rewarded directly from the companies' profitability.

The current Bush Administration has already played an important role in facilitating this joint venture through support from the DOE and other governmental agencies, including the Overseas Private Investment Corporation (OPIC). Following a rigorous viability analysis of the joint venture's business and financial models, OPIC has extended a commitment letter for a \$10 million 10-year loan to the project at attractive rates, to be funded once the remaining \$20 million in equity is raised. OPIC has also agreed to extend up to \$25 million of political risk insurance for the project.

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We feel fortunate to be a part of this momentous joint venture, and look forward to our continued strong working relationships with Numotech, Spektr-Conversion, DOE, Sandia National Laboratories, and OPIC. Our involvement emanated from recognition of the importance this project holds not just for the financial stakeholders involved, but also for sustainable nuclear nonproliferation not just in Russia, but worldwide.

Sincerely,

A handwritten signature in black ink, appearing to be 'B. Beal', written in a cursive style.

Bernard B. Beal
Chief Executive Officer